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This discussion provides an assessment by management of the current financial position, results of operations, cash flow and liquidity, and changes in financial position for MAMSI Life and Health Insurance Company. Information presented in this discussion supplements the financial statements, exhibits and schedules in the Annual 2008 Statement.

MAMSI Life and Health Insurance Company ("MLH" or the "Company"), is a wholly owned subsidiary of Mid Atlantic Medical Services, LLC. ("MAMSI"). MLH, which is domiciled in the State of Maryland, is licensed to do business as a life, accident and health insurance company in 31 states and the District of Columbia. The Company's principal operating area is in the states of Delaware, Maryland, Virginia, West Virginia, and the District of Columbia. The Company was incorporated on September 12, 1955 by the Maryland Insurance Administration.

MLH currently underwrites the indemnity coverage of its affiliated HMOs point-of-service plans in addition to offering stand-alone indemnity (including PPO) health and dental insurance, aggregate and specific stop loss insurance for self-insured groups, and group life, accidental death, and short-term disability policies. Under the MLH indemnity plan, enrollees may receive health care services from a physician, health care practitioner, or facility of their choice. Enrollees in the MLH PPO plan are encouraged to receive health care services from a preferred physician, health care practitioner, or facility, but may receive these services from any physician, health care practitioner, or facility. In addition, MLH provides an administrative services only ("ASO") product to the State of Maryland employees. ASO business consists of allowing access to MLH's network of physicians and health care practitioners and the processing and payment of claims. The Company has no insurance risk on this product.

Introduction (1-3)

The following is a summary of invested assets at December 31, 2008 and December 31, 2007:

$000's	2008	2007
Bonds	105,592	102,346
Short-term investments	80,589	61,817
Cash & cash equivalents	(3,798)	(8,836)
Total	182,383	155,327

- The total of bonds, short-term investments, cash and cash equivalents increased $27 million in 2008 to a total of $155 million at December 31, 2008 due to cash flow. The bond portfolio is carried at amortized cost. Although the Company expects to hold these securities on a long-term basis, sales from these investment portfolios have been made periodically to manage portfolio risks, including credit-related concerns, and to optimize tax planning.
- As of December 31, 2008, the entire portfolio of long and short-term bonds was rated as exempt or Class 1 through 5 by the Securities Valuation Office of the NAIC.

The following is a summary of other assets at December 31, 2008 and December 31, 2007:

000's	2008	2007	Change
Investment income due and accrued	1,270	1,198	72
Uncollected Premiums	1,364	2,841	(1,477)
Amounts related to uninsured plans	532	1,421	(889)
Current federal income tax recoverable	995	-	995
Net deferred tax asset	928	2,769	(1,841)
Receivables from parent	1,769	30,871	(29,102)
Health care receivables	326	29	297
Hospital Deposits	5,047	6,260	(1,213)
Prepaids	305	28	277
	12,536	45,417	(31,945)

- Uncollected premiums decreased $1.5 million due to a decline in membership from December 31, 2007 to December 31, 2008.
- Receivables from parent decreased by $29.1 million due to an intercompany receivable related to the correction of prior year errors as reported on page 5 of the December 31, 2007 annual statement.
- The hospital deposit balance decreased by $1.2 million in 2008 due to the decline in membership that resulted in a lower hospital deposit requirement.

The following is a summary of liabilities at December 31, 2008 and December 31, 2007:

000's	2008	2007	Change
Claims unpaid	21,588	39,306	(17,718)
Unpaid claims adjustment expenses	256	559	(303)
Aggregate health policy reserves	348	3,252	(2,904)
Aggregate life policy reserves	111	118	(7)
Aggregate health claim reserves	160	298	(138)
Premiums received in advance	4,248	3,009	1,239
General expense due or accrued	836	1,378	(542)
Current federal income tax payable	-	8,845	(8,845)
Amounts withheld or retained for the account of others	1	1	-
Remittances not allocated	-	15	(15)
Other liabilities	631	449	182
	28,179	57,230	(29,051)

- The decrease in claims payable liability is primarily attributable to the decrease in membership during 2008.
- Unpaid claims decreased due to membership decline as well as the normal volatility in the volume and timing of claims.
- The decrease in aggregate health policy reserves of $2.9 million is due to a release of conversion reserves after actuarial review.
- Premiums received in advance increased by $1.2 million due to timing of receipts and collections at year-ends 2008 and 2007.
- The federal income tax payable balance at December 31, 2007 is a result of underpayment of quarterly tax estimates in 2007.

Capital and surplus totals approximately $168 million at December 31, 2008. Changes during 2008 comprised the following:

000's	2008
Opening capital & surplus	143,516
Net income	35,580
Dividends to stockholders	(14,351)
change in unrealized gains (losses)	(1)
Change in non-admitted assets	4,504
Change in net deferred income taxes	(1,737)
Other gains (losses) in surplus	680
Closing capital and surplus	168,191

As of December 31, 2008 the Company's total adjusted capital for risk-based capital purposes was $168 million compared to its authorized control level of $14.4 million.

4. The Company prepares its financial statements on the basis of accounting practices prescribed or permitted by the Maryland Insurance Department. These practices differ from accounting principles generally accepted in the United States of America as certain assets, including certain deferred income taxes, certain aged premium and health care receivables, prepaid expenses, and certain fixed assets, are considered nonadmitted assets for statutory purposes and are excluded from the statutory statements of admitted assets, liabilities, and capital and surplus. The changes in nonadmitted assets have been reflected in accumulated surplus in the accompanying statutory financial statements. The statutory basis financial statements include certain amounts that are based on the Company's estimates and judgments. These estimates require the Company to apply complex assumptions and judgments, often because the Company must make estimates about the effects of matters that are inherently uncertain and will change in subsequent periods. The most significant estimates relate to medical services expenses and medical services payable. The Company adjusts these estimates each period as more current information becomes available. The impact of any changes in estimates is included in the determination of income in the period in which the estimate is adjusted.

5. There are no material events or uncertainties that have materially impacted the current financial condition of the Company. Additionally, the Company does not anticipate any future events or uncertainties that will materially impact future operating results or financial condition.

6. The financial condition of the Company is presented on a non-consolidated basis.

Results of Operations (7-9)

Results of operations during 2008 and 2007 are summarized as follows:

000's	2008	2007	Change
Premium revenue	236,220	404,201	(167,981)
Net investment income	6,926	8,294	(1,368)
Other income (expense)	(228)	457	(685)
Benefits incurred	169,803	299,526	(129,723)
Non-health claims	766	715	51
Operating expenses	20,568	38,123	(17,555)
Increease (decrease) in reserves for health and life contracts	(2,679)	2,406	(5,085)
Net realized capital gains (losses)	(1,012)	89	(1,101)
Net income before federal tax	53,448	72,271	(18,823)
Federal income tax	17,868	24,617	(6,749)
Net income	35,580	47,654	(12,074)

- The main driver of premium revenue decrease is the member months decreasing from 1,964,295 at December 31, 2007 to 1,398,308 at December 31, 2008 due to shift of members from the HMO product.
- Benefits incurred also decreased as a result of membership loss.
- The changes in loss ratios by line of business are within normal expected fluctuations by line.
- Operating expenses decreased 46% from year-end 2007 to year-end 2008. This decline is driven by a shift in membership from the HMO product along with management cost-reduction initiatives.
- The $5,085,000 decrease in the reserves for health and life contracts is due to the release of individual conversion reserves after actuarial review.
- The decrease in net investment income and the realized capital losses in 2008 are due to the downturn in market conditions.

Prospective Information (10-11)

10. The Company does not have any known events, nor does it anticipate any trends, demands, commitments, events or uncertainties that will have a material impact on its financial condition as it relates to the surplus or liquidity of the Company.
11. The Company makes this forward-looking representation in good faith and is intended to be used in such manner.

Material Change (12-13)

As identified in the Introduction (1-6) and Results of Operations (7-9) sections, below are the material year-to-year changes:

- Uncollected premiums decreased by 52% from December 31, 2007 to December 31, 2007 due to membership loss.
- Receivables from parent decreased by 94% as a result of taking down a receivable that was related to a correction of prior year error in 2007.
- Hospital deposits decreased by 1.2 million due to membership loss that resulted in lower deposit requirements per state of Maryland regulation.
- Claims unpaid decreased by 45% from December 31, 2007 to December 31, 2007 due to membership loss.
- Aggregate health policy reserves and reserves for health and life contracts decreased by $2.9million and $5 million, respectively, due to a release of reserves per actuarial review.
- Premium revenue and operating expenses both decreased due to membership loss and shifts in business products.

Liquidity, Asset / Liability Matching and Capital Resources (14-24)

14. The Company has an investment policy and investment guidelines in place that ensure on-going liquidity on a long-term and short-term basis. Over 42% of the invested asset portfolio as of December 31, 2008 is comprised of short-term investments, cash, and cash equivalents. Current year cash flow has generated a positive cash flow of $24 million for 2008 primarily attributed to other cash provided of $33 million, offset by a dividend of $14.4 million paid out in 2008.
15. The Company is part of a Holding Company of which the parent is committed and has the financial resources for this Company to meet all financial obligations. In the event of an immediate and material cash demand a surplus infusion would be executed to address cash requirements. There are no restrictions which would preclude this from happening in a timely manner.
16. The Company is well positioned to meet its short term liquidity needs based on that over 42% of the invested asset portfolio as of December 31, 2007 is comprised of short-term investments, cash, and cash equivalents.
17. The Company's investment policy and investment guideline has positioned the Company well to meet its long-term liquidity and capital obligations. Currently it does not have any material balloon payments, other long-term obligations, or other commitments which would materially impact long-term its obligation.
18. There are no known trends or obligations that will materially impact the Company's liquidity position. The Company is expected to meet its short-term and long-term obligations based on current investment mix and projected cashflow from operations.
19. In the fourth quarter of 2008 there was a $14.4 million cash dividend paid to the parent. . There are no known favorable or unfavorable material trends that would impact the Company's capital resources. The Company does not foresee any changes as it relates to debt or off-balance sheet financing arrangements.

20. Cash flows during 2008 and 2007 are summarized as follows:

000's	2008	2007	Change
Insurance operations	9,800	32,986	(23,186)
Investment activities	(4,764)	(31,412)	26,648
Dividends to stockholders	(14,351)	-	(14,351)
Surplus notes	-	(9,900)	
Other	33,126	(20,020)	53,146
Change in cash and short term investments	23,811	(28,346)	42,257

- There were no material discretionary operating expenses such as advertising in the current period or projected for future periods.
- There were no debt refinancings or redemptions in the current period or projected for future periods.
- The Company has no future dividend requirements to the parent in order to fund operations or meet debt service.
- The Company is part of a Holding Company of which the parent is committed and has the financial resources for this Company to meet all financial obligations. In the event of an immediate and material cash demand a surplus infusion in the form of cash would be executed to address cash requirements.

21. The Company feels that it is very well positioned to meet future liquidity requirements based on the following:
    - The majority of liabilities of the Company are short-term in nature;
    - The behavior of the liabilities is insensitive to the market interest rates;
    - Investment returns are not a significant element of pricing for products issued by the Company; and
    - The assets held by the Company are generally cash and money market funds of high quality and are very liquid.
22. The Company does not have any off-balance sheet financial arrangements that would impact its liquidity.
23. The Company does not feel that it is liquidity position will be materially impacted due to such events as market price changes, economic downturns, default on guarantees, or contractions of operations that have a material impact on operations.
24. The Company does not have any financial guarantees or commitments that could adversely impact liquidity by requiring an early payment. The Company's is not aware of any circumstances that could impair operations or adversely impact its current financial rating.

Loss Reserves (Property & Casualty Companies only) (25)

25. Not applicable as the Company is licensed as a Life and Health insurance company.

Off-Balance Sheet Arrangements (26-30)

The Company does not have any off-balance sheet financial arrangements that would impact its liquidity.

Participation in High Yield Financings, High Leveraged Transactions or Non-Investment Grade Loans and Investments (31-32)

The Company does not participate in any high yield financings, high leveraged transactions or non-investment grade loans and investments.

Preliminary Merger / Acquisition Negotiations (33)

33. The Company is not involved in any merger or acquisition activity.

Conclusion (34)

34. The above discussion accurately provides an assessment by management of the current financial position, results of operations, cash flow and liquidity, and changes in financial position for MAMSI Life and Health Insurance Company for the year ended December 31, 2008.